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Central Intelligence Agency



Washington, D.C. 20505

14 JUL 1986
OCA 86-2323

file SSC1

Mr. John Nelson
Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

Dear John:

In response to your inquiry on early retirements, we find that one of the most telling indications of the potential impact of taxation of Government pensions provisions in the tax reform bill has been the number of retirements that have taken place. As the likelihood of the bill's passage increased, we have seen a sharp rise in retirements over a comparable period in 1985. The enclosures provide full details.

Sincerely,

/s/ David D. Gries

David D. Gries
Director of Congressional Affairs

Enclosures:

1. Memo on the negative impact of the tax reform bill
2. Agency employees eligible to retire

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Since 1 April 1986, there have been [] retirements compared with [] during the same period last year. Thus far in June, we have had [] retirements and another [] employees have signed up to retire before the end of the month, giving us a projected total of []. This compares with only [] retirements during June 1985.

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There are other indications that the number of retirees could grow even larger if the pension recovery rule is dropped. The volume of telephone calls concerning retirement matters (many of which were directly related to the impact of tax reform legislation) increased during April and May as compared to last year []. In addition, personal discussions with employees about their retirement benefits also rose [] during those two months. Finally, our Retirement Division has prepared about [] more written estimates of retirement benefits than it did during the same period in 1985. The increased number of requests for written estimates is particularly noteworthy because it followed by a few weeks the distribution of an individualized statement of retirement benefits to every employee that included an estimate of retirement benefits. This statement should have answered most employee questions about retirement benefits. However, concern was running so high over the possible tax changes in annuities that many employees began thinking seriously about retirement and sought additional information.

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If a bill eliminating the three-year recovery rule passes, the earlier noted statistics are sure to increase. The attachment contains a table reflecting the number of Agency employees eligible to retire by 30 June 1986 as well as those eligible to retire by 31 December 1986. Clearly, if many of those eligible exercised this option, it would have a significant impact on Agency operations. Some [] employees or [] of the Agency's on duty strength are eligible to retire by 30 June. The percentage jumps dramatically for members of the Senior Intelligence Service, where [] are eligible. In the DO, this percentage rises to almost [] of the officers at the SIS levels. In the critical mid-level management group (GS-14 and GS-15), some [] officers are eligible to retire, or [] of the total of Agency employees at this grade level. In the DO, the percentage of GS-14s and GS-15s eligible to retire rises to []. While we cannot predict exactly how many eligible employees will retire if the exclusion is dropped, employees

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are keenly aware of this tax issue and it is likely that a significant number would retire to avoid the change in pension taxation. If this occurred, their loss would seriously impact on the Agency's ability to carry out its mission and would tax our already strained recruitment mechanism to find new employees to fill resulting vacancies. More importantly, the potential loss of a large number of the Agency's most senior officers would create a void in experience that would take years to fill.

Attachment:
as stated

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